

Living on a Life Support Machine: The Challenge of Rebuilding Afghanistan

By Peter J. Middlebrook and Sharon M. Miller | January 27, 2006

The forthcoming “London Conference” on Afghanistan (January 31-February 1, 2006), to be attended by President Hamid Karzai, British Prime Minister Tony Blair, UN Secretary General Kofi Annan, and Paul Wolfowitz, head of the World Bank, brings together high ranking dignitaries from the government of the Islamic Republic of Afghanistan and the international development community to endorse a new multilateral agreement to be known as the “Afghanistan Compact,” the successor of the Bonn Agreement.

The compact makes provisions for the attainment of joint government-international partner benchmarks to enhance security, governance, the rule of law, human rights, and economic and social development (as well as tackling the burgeoning opium

trade); thereby further consolidating the ongoing reform and reconstruction agenda. The compact provides the legal framework for continuation of the international assistance mission to Afghanistan (UNAMA) for the forthcoming five years. In spite of various shortcomings, it is widely recognized that the mission has played a pivotal role in delivering the various political reform benchmarks set by the Bonn Agreement. The compact is however unlike its predecessor with each benchmark now derived from the elected government’s Interim Afghan National Development Strategy (I-ANDS); to be presented at the conference as the cornerstone of government policy.

Facing the Challenges

In spite of undeniable gains made in reconstruction since the end of 2001, the challenges facing Afghanistan remain immense; not least because of the impact of relative insecurity within Afghanistan’s immediate neighborhood, along with the continued prevalence of a large illicit economy. The failure of successive governments in securing peace and stability forced much of Afghanistan to adopt the “law of necessity,” not the “law of the state.” As a consequence, Afghanistan needs to



Afghan President Hamid Karzai (Photo courtesy of <http://www.horaz.com/>)



establish an appropriate incentive framework that reaffirms citizens' belief in the national state and the long-term benefits of adopting a formal and fully legal economy. Reforms to the justice sector—clearly lagging behind—remain a pre-condition to such a transformation. Insecurity continues to constrain the growth of the legal private sector, the opium economy continues to flourish (constituting of 37% of legal GDP in 2005), and the costs of financing the security sector remain beyond the fiscal capacity of government for many years to come. The trade deficit is in the order of \$3 billion, and options for increasing legal exports are limited, as are options for substituting imports with domestic production.

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The public sector too, in spite of considerable efforts to reform its core functions, remains largely incapacitated outside of Kabul. Poverty rates remain unacceptably high, increasing the tendency to depend on higher-value illegal activities, and maternal mortality rates are the worst reported globally. Domestic revenues lag behind expenditures by a factor of ten to one. Public sector pay levels remain so low that given the current inflated

costs of living, corruption could emerge as public enemy number one, undermining the government's efforts to enhance aid flows through national accounts. The much touted Turkmenistan Afghanistan Pipeline (TAP) remains little more than a pipe dream in the eyes of its financiers—despite recent talks—and the potential revenue gains to government of such an investment therefore also remain illusive. The Shanghai Cooperation Organization (SCO), now recognized in the United States as a serious political counterpoint in Central Asia, supports the expulsion of U.S. troops from the countries along Afghanistan's northern border.

While the southern axis of U.S. foreign policy interests, which currently runs from Afghanistan through Pakistan to India, shows some signs of greater cohesion, Pakistan as a whole remains a politically complex state. The situation in the remainder of the region does not bode well for promoting the regional stability necessary for Afghanistan's development. The inimical northern states of the North West Frontier, Waziristan and Baluchistan, do little to support the emergence of greater stability on the Afghan side of the border. Drugs and military flows are regular trade. Bangladesh too shows signs of increased insurgent activity, and Iran—itsself an important stabilizer for Afghanistan—is under the spot light of the UN with regard to its nuclear industry.

The Challenge of Oil

Afghan's prospects will also be shaped by the region's growing prominence in the politics of oil and gas. Increasing demand for petroleum combined with high energy prices also catalyzes the pace of political realignment between oil exporting and oil importing states—adding much-needed foreign currency to the national reserves of export

states such as Russia—while forcing countries such as China to adopt a more aggressive approach to energy market acquisition in countries such as Iran and Russia. Furthermore, inflated global petroleum prices also drive import-dependent countries to seek alternative markets for energy supplies—many of which involve strengthening foreign relations with non-traditional trading partners. Where governments (such as Bangladesh) operate strict price controls on imported fuels, the fiscal impact has been considerable—drawing finance away from basic services in education, health, and infrastructure, all of which are vital to sustain growth over the longer term. With continued instability in Afghanistan, combined with India’s concerns regarding military relations with Pakistan, much of the Turkmen gas may eventually flow north—not south, as too might the Caspian basin reserves. This could exclude Afghanistan from a key component of broader regional integration that would help facilitate Afghanistan’s continuing reconstruction and development agenda.

Delays in reaching greater stability in Afghanistan represent very real lost future opportunities; a high cost for a weak nation-state. Success in Afghanistan will be expensive, and calls for unblinking multilateral support for the present reform agenda embodied in the new national development strategy.

Moving Forward

Greater regional stability too remains an elusive pre-condition to improved stability within Afghanistan. Revenues must be collected to pay the core costs of funding essential state apparatus, wages, and basic services—particularly to cover the high costs of maintaining national security. External aid too must enhance alignment between donor priorities and priorities stated in the

government’s national development strategy—with resources ideally being channeled through government accounts so as to strengthen Afghan sovereign capacities. Importantly, the election of the new national assembly creates the opportunity for providing greater support for building governance capacities outside of Kabul—a necessary focus for strengthening provincial relations with the center—which will in turn, as part of a virtuous circle, strengthen the authority of the center itself. Furthermore, the eradication of opium production will tear a considerable hole in the pockets of many poor farmers—as well as contracting the economy. Given that the government’s new strategy is growth-oriented, the whole economy must therefore rapidly diversify production away from opium—toward high-value crops with export potential—itself no mean task.

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Doubtless, much has been accomplished since the end of 2001, but consolidation and much hard work are still to come. While the participants in the forthcoming conference must acknowledge the work of the government in establishing a

remarkably robust national strategy, the forthcoming conference must not prematurely celebrate its success—as the proof of the strategy is still in the making. Increased international community support for the Afghan administration’s interim strategy is vital if President Karzai’s government is to deliver on its promises to a demanding Afghan people; a people now represented through the “eyes” and “ears” of the national assembly.

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